

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1143 – SB 1207

March 7, 2011

SUMMARY OF BILL: Eliminates the Hall Income Tax (HIT) for tax year 2012 and all subsequent tax years.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$115,356,800/FY12-13 and Subsequent Years

Decrease Local Revenue – Net Impact - \$70,876,000/FY12-13 and Subsequent Years

Assumptions:

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- The current Fiscal Review Committee estimate for HIT collections in FY11-12 is \$195,520,000. This number is assumed to remain constant in subsequent years. Therefore, a recurring decrease in HIT collections of \$195,520,000.
- Pursuant to Tenn. Code Ann. § 67-2-119, local governments are allocated 37.5 percent of all HIT collections; the state retains the remaining 62.5 percent.
- Given the HIT is due in April following the applicable tax year, and given this bill applies to the 2012 tax year and all subsequent tax years, the first fiscal year impacted will be FY12-13.
- The recurring decrease in state revenue will be \$115,356,800 $[(\$195,520,000 \times 62.5\%) - (\$195,520,000 \times 50.0\% \times 7.0\%)]$ beginning in FY12-13.
- The recurring decrease in local government revenue will be \$70,876,000 $[(\$195,520,000 \times 37.5\%) - (\$195,520,000 \times 50.0\% \times 2.5\%)]$ beginning in FY12-13.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc